



Larry Meyer, Chairman and CEO
Michigan Retailers Association
Testimony before the House Commerce Committee
03/22/05

Thank you, Mr. Chairman, for the opportunity to talk with you about Michigan's retail industry and the public policy actions that you can take to strengthen this vital sector of our state economy.

I am Larry Meyer, Chairman and CEO of the Michigan Retailers Association, a statewide trade association based here in Lansing. We represent nearly 6,000 members and their more than 13,000 general merchandise stores—everyone from the largest multi-state chains to the smallest family-owned stores.

The retail industry is of critical importance to our state's economy. Retailers deliver more than \$135 billion worth of goods and services annually to Michigan residents and visitors. Just as important, the retail industry employs more than 850,000 Michiganians—nearly one in every five jobs in our state.

Current Conditions

Although U.S. consumer spending has been amazingly resilient in recent years and kept the nation's economy from falling back into recession, the retail industry has not been immune from the economy's sluggishness and uncertainty. That has certainly been the case here in Michigan, where our state's continuing economic woes are taking a toll on retailers, unlike in much of the rest of the nation.

The monthly sales surveys that we conduct with the Federal Reserve Bank of Chicago (Chicago, because that federal reserve branch covers Detroit and most of Michigan) have shown lackluster retail sales for most of the past year. For example, in January only 34 percent of retailers in Michigan increased sales over the previous year. And in December—the most important retailing month of the year—only 37 percent rang up gains. In fact, we have to go all the way back to April 2004 to find a month in which barely half of our thousands of retail businesses showed improvement over the previous year. And in the past 25 months, that 50-percent level has been reached only three times. In a word, Main Street retailers are “struggling.”

Clearly, Michigan's retail industry is not firing on all cylinders. Our state's higher jobless rate and other lingering economic problems are hurting the industry that is the backbone of every community in our state.

(more)

Legislative Agenda

It is also abundantly clear that the last thing retailers need is additional costs stemming from government regulations and mandates. And the first thing they need is a business and regulatory climate that enables them not just to survive, but to thrive.

1. At the top of our legislative agenda, therefore, is the need to modernize our state's archaic duplicative-pricing law, better known as item pricing. The current law, now in its fourth decade, hurts both retailers and consumers alike and discourages new business investment. Because retailers in Michigan—unlike those in almost every other state—must go through the costly process of putting a price sticker on virtually every item in their stores, retail business costs are higher here in Michigan than throughout the Midwest and across the nation.

These higher costs discourage retailers from coming into Michigan or expanding here, and they discourage retailers already here from investing in technology that can keep their costs and prices as low as possible in this extremely competitive industry. To an even greater degree, they discourage new retail investment in inner cities, where land and other operating costs, including security, are already higher. Add the costs of duplicative pricing to these other costs and, in too many cases, you have the straw that broke the camel's back.

There's a human cost, too. Do we want our retail employees to be mindlessly putting stickers on an endless number of items hour after hour and day after day? Or would we rather have them working at jobs that involve utilizing and servicing new computer technology in the stores, or jobs that utilize the people skills involved in providing direct service to customers? Are mindless, sticker-gun jobs the type of good-paying jobs we want to maintain and attract? Is this how we build a high-tech, knowledge-based economy? I don't think so.

That's why we strongly support legislation that would improve Michigan's current law by giving stores more incentives to do what the law is intended to do — to make certain that the price consumers pay at the register is the price they thought they were going to pay when deciding to make a purchase.

We support legislation that says, essentially, that if a store "gets it right" virtually all of the time — instead of the current standard of just most of the time — and its compliance is verified by an independent audit, then that store would be allowed to stop putting stickers on certain individual items and rely instead on using a clearly readable shelf pricing system. And all of the current consumer protection measures could be left in place, even strengthened.

That's a heck of an incentive to make sure the system works for everyone involved. That's a heck of an incentive for companies to invest in Michigan and to provide good-paying jobs here.

We know this incentive approach to improving the item pricing law will be a win-win for retailers and consumers. It's also a win for the competitiveness of our state and all of our residents.

(more)

2. A second item at the top of our agenda is a package of measures that amounts to a win-win for retail pharmacies and for the state budget. We have shared these with the administration, but have not, to date, had a positive response. The package includes the following three points:

- a) Implementing a 4-brand prescription monthly limit as part of several pharmacy budget cost-management initiatives in order to save Michigan's Medicaid program millions of dollars. The limit would mean that in most cases—and the law does provide for plenty of medically necessary exceptions—Medicaid recipients would be required to use generic medicines for all medications after four brand-name prescriptions were filled. It's a common-sense practice that has saved Florida approximately \$70 million a year.
- b) Allowing retail pharmacies in Michigan to participate in mail-order pharmacy and removing barriers that Pharmacy Benefit Managers place before them with closed networks. These restrictions only serve to hinder customer choice and utilization of the local community pharmacy.
- c) Working closely with retailers on actions related to the sale of pseudoephedrine to help halt the production of methamphetamine. Lawmakers should take into account the burdens already imposed on retailers by the state, and work with the industry to find effective, cooperative and equitable solutions to this terrible problem.

3. Third, we encourage you to continue to look at the SUTA-dumping issue. The practice known as SUTA-dumping threatens the fairness of our UI system. It is a bad practice, used by unethical businesses to cheat the system. These businesses are not just cheating the government, they are cheating other businesses. By robbing the trust fund of necessary financing, SUTA-dumping ends up hurting all other businesses that must make up the shortfall. The very existence of SUTA-dumping compromises the integrity of the experience-rated system and must be abolished completely.

SUTA-dumping legislation must prevent all businesses from engaging in the practice. Professional Employer Organizations must be held to the same standard as all other employers in Michigan. It is imperative that a business' experience rating must follow that business throughout—even when it uses a Professional Employer Organization. That is the only way to ensure that our unemployment system is fairly and adequately funded.

This issue is about protecting the interests of employers who are playing by the rules. And make no mistake, the price of incomplete action will be to reduce the number of private-sector jobs in our state.

4. Fourth, I want to let you know that in general we strongly support SBT reductions for Michigan's businesses. In terms of the specific proposals laid out by the governor, however, we are still gathering data from our members to determine the impact on our industry. Until we have that information we cannot take a position on the current proposals.

(more)

I can tell you, however, that a significant boost in the minimum wage will hit retailers even harder than any change in tax policy. We strongly advocate letting the marketplace—not government—determine wage rates.

5. Fifth, and very briefly, retailers are disheartened at the prospect of eliminating or curtailing electric choice. The Michigan Retailers Association members who participate in our electric choice program are seeing monthly savings of 10 – 20 percent. In a highly competitive industry like retail, where margins are squeezed and profits come to those with the lowest operating costs, savings on electric bills can be essential to the health of the business and the jobs it provides.



We have, of course, an interest in a great many other pieces of legislation. But rather than provide the committee with a laundry list, we wanted to target those issues at the top of retail's agenda. Once again, they are: modernizing item pricing, providing fairness to retail pharmacies and cost savings to the Medicaid budget, addressing the SUTA-dumping problem completely, letting the marketplace determine wages and maintaining electric choice.

I would again like to thank the committee for providing this opportunity to hear our suggestions for helping one of Michigan's leading industries grow and prosper and continue creating jobs and opportunity for our residents.

Thank you, and I would be happy to answer any questions.

Michigan Retail Index

Current Performance Index


04 - 05

03 - 04

